

EXECUTIVE SUMMARY

The outlook for Idaho's economy has been scaled back to reflect more current Idaho historical data and the revised national forecast. A review of new employment data shows the state's economy grew slower during the first part of this year than had been anticipated in April 2008. It was previously projected that nonfarm employment would drop at a 0.3% annual pace in this year's first quarter and grow at a 0.9% clip in the second quarter. Newer job data show employment performed worse than this meager forecast. Namely, nonfarm employment fell at a 2.2% rate in the first quarter and dropped by 0.4% in the second quarter of 2008. As a result of this change, the starting point for the Gem State's employment forecast has been lowered from the previous forecast's 659,800 jobs to 654,595 jobs in the current forecast. The current national economic forecast contains a recession. The combination of the lower starting point for the Idaho employment forecast and weaker near-term U.S. economic growth does not bode well for the local economy. Under these conditions Idaho nonfarm employment is expected to expand 1.3% annually over the forecast period, with the first two years being particularly weak. As a result of the slower growth, there are about 17,500 fewer jobs in 2011 in the current forecast than in the previous one. Idaho nominal personal income also falls victim to the weaker national economy. The gap between the current and previous forecast widens over time, so that by 2011 Idaho nominal personal income is \$645 million lower than in the previous forecast. Because inflation is higher in the current forecast, the difference between the current and previous measures of Idaho real personal income in 2011 is even more pronounced. In summary, the next couple of years will be the most challenging in decades for the state's economy.

Earlier this year, the consensus among most business cycle handicappers was the economy would slip into a recession in the first half of 2008. In its July 31, 2008 report, the U.S. Department of Commerce estimated real GDP actually grew at a 0.9% clip in this year's first quarter and 1.9% in its second quarter. The real GDP growth during the first half of this year does not mean a recession has been avoided. Instead, it has been postponed. This prognosis reflects that many of the threats to the economy earlier this year remain. Granted, their impacts are likely to be offset in the third quarter by a temporary spike in consumer spending fueled by the tax rebate checks. However, the challenges facing the economy will remain after the checks are spent. Real GDP is expected to retreat at a 1.7% annual rate in the fourth quarter of 2008 and decline 0.7% in the first quarter of 2009. On an annual basis, real GDP is forecast to advance just 1.6% this year and 0.9% next year—its slowest growth since 2001. Like the previous recession, the forecasted slowdown should be mild compared to other post-war slowdowns. The economy is expected to remain sluggish through the first half of 2009. Real GDP is expected to pick up speed with abating negative factors. Inflation moderates. Hiring picks up. Credit becomes more available. And housing recovers. As a result, real GDP is projected to advance 3.6% in 2010 and 3.4% in 2011.

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JULY 2008

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
U.S. GDP (BILLIONS)												
Current \$	9,817	10,128	10,470	10,961	11,686	12,434	13,195	13,841	14,360	14,798	15,699	16,559
% Ch	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.9%	3.7%	3.1%	6.1%	5.5%
2000 Chain-Weighted	9,817	9,891	10,049	10,301	10,676	11,004	11,319	11,567	11,754	11,860	12,291	12,710
% Ch	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.9%	2.2%	1.6%	0.9%	3.6%	3.4%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	31,290	33,054	33,849	34,816	38,079	40,355	43,800	46,958	48,884	50,875	53,769	57,161
% Ch	7.6%	5.6%	2.4%	2.9%	9.4%	6.0%	8.5%	7.2%	4.1%	4.1%	5.7%	6.3%
Idaho Nonfarm (Millions)	30,448	32,039	32,921	34,099	37,100	39,482	43,150	46,003	47,897	49,739	52,601	55,955
% Ch	8.5%	5.2%	2.8%	3.6%	8.8%	6.4%	9.3%	6.6%	4.1%	3.8%	5.8%	6.4%
U.S. (Billions)	8,430	8,724	8,882	9,164	9,727	10,301	10,983	11,666	12,215	12,624	13,298	14,075
% Ch	8.0%	3.5%	1.8%	3.2%	6.2%	5.9%	6.6%	6.2%	4.7%	3.4%	5.3%	5.8%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	31,289	32,376	32,690	32,970	35,127	36,160	38,192	39,930	39,918	40,274	42,116	44,143
% Ch	5.0%	3.5%	1.0%	0.9%	6.5%	2.9%	5.6%	4.6%	0.0%	0.9%	4.6%	4.8%
Idaho Nonfarm (Millions)	30,447	31,382	31,795	32,290	34,223	35,378	37,626	39,119	39,112	39,375	41,201	43,211
% Ch	5.9%	3.1%	1.3%	1.6%	6.0%	3.4%	6.4%	4.0%	0.0%	0.7%	4.6%	4.9%
U.S. (Billions)	8,429	8,545	8,578	8,678	8,973	9,231	9,578	9,920	9,975	9,994	10,416	10,870
% Ch	5.4%	1.4%	0.4%	1.2%	3.4%	2.9%	3.8%	3.6%	0.5%	0.2%	4.2%	4.4%
HOUSING STARTS												
Idaho	11,500	12,207	13,229	16,389	18,659	23,351	19,425	14,239	10,715	12,840	12,822	14,295
% Ch	11.0%	6.1%	8.4%	23.9%	13.9%	25.1%	-16.8%	-26.7%	-24.7%	19.8%	-0.1%	11.5%
U.S. (Millions)	1,573	1,601	1,710	1,854	1,950	2,073	1,812	1,341	0,933	1,009	1,434	1,692
% Ch	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-26.0%	-30.4%	8.2%	42.2%	18.0%
TOTAL NONFARM EMPLOYMENT												
Idaho	558,583	568,035	568,048	572,552	588,074	611,736	638,920	656,297	655,149	659,866	672,351	690,885
% Ch	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	2.7%	-0.2%	0.7%	1.9%	2.8%
U.S. (Thousands)	131,794	131,830	130,340	129,996	131,419	133,695	136,092	137,618	137,726	137,662	139,538	142,067
% Ch	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.8%	1.1%	0.1%	0.0%	1.4%	1.8%
SELECTED INTEREST RATES												
Federal Funds	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	2.3%	2.4%	4.3%	4.8%
Bank Prime	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	5.3%	5.4%	7.3%	7.8%
Existing Home Mortgage	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.1%	5.9%	6.9%	7.2%
INFLATION												
GDP Price Deflator	2.2%	2.4%	1.7%	2.1%	2.9%	3.2%	3.2%	2.7%	2.1%	2.1%	2.4%	2.0%
Personal Cons Deflator	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.5%	4.2%	3.1%	1.1%	1.4%
Consumer Price Index	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.9%	5.3%	3.3%	0.5%	1.3%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the SECOND Quarter of 2008

IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JULY 2008

	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
U.S. GDP (BILLIONS)												
Current \$	14,201	14,295	14,449	14,493	14,552	14,666	14,872	15,102	15,347	15,593	15,827	16,031
% Ch	3.7%	2.7%	4.4%	1.2%	1.6%	3.2%	5.8%	6.3%	6.6%	6.6%	6.2%	5.2%
2000 Chain-Weighted	11,704	11,757	11,804	11,753	11,732	11,806	11,898	12,005	12,118	12,238	12,354	12,454
% Ch	1.0%	1.8%	1.6%	-1.7%	-0.7%	2.5%	3.2%	3.6%	3.8%	4.0%	3.8%	3.3%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	47,906	49,041	49,205	49,385	50,017	50,593	51,111	51,781	52,517	53,352	54,186	55,021
% Ch	-1.5%	9.8%	1.3%	1.5%	5.2%	4.7%	4.2%	5.3%	5.8%	6.5%	6.4%	6.3%
Idaho Nonfarm (Millions)	47,152	47,928	48,101	48,407	48,936	49,429	49,978	50,613	51,387	52,190	53,006	53,819
% Ch	1.7%	6.7%	1.5%	2.6%	4.4%	4.1%	4.5%	5.2%	6.3%	6.4%	6.4%	6.3%
U.S. (Billions)	12,012	12,233	12,278	12,337	12,447	12,547	12,673	12,830	13,017	13,201	13,392	13,582
% Ch	4.5%	7.6%	1.5%	1.9%	3.6%	3.3%	4.1%	5.0%	5.9%	5.8%	5.9%	5.8%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	39,895	40,442	39,867	39,467	39,711	40,161	40,403	40,823	41,294	41,866	42,401	42,904
% Ch	-4.9%	5.6%	-5.6%	-3.9%	2.5%	4.6%	2.4%	4.2%	4.7%	5.7%	5.2%	4.8%
Idaho Nonfarm (Millions)	39,267	39,523	38,972	38,686	38,852	39,237	39,507	39,902	40,406	40,955	41,478	41,967
% Ch	-1.9%	2.6%	-5.5%	-2.9%	1.7%	4.0%	2.8%	4.1%	5.1%	5.5%	5.2%	4.8%
U.S. (Billions)	10,003	10,088	9,947	9,859	9,882	9,960	10,018	10,115	10,235	10,359	10,480	10,591
% Ch	0.8%	3.4%	-5.5%	-3.5%	0.9%	3.2%	2.4%	3.9%	4.8%	4.9%	4.7%	4.3%
HOUSING STARTS												
Idaho	8,987	11,240	10,885	11,748	12,682	12,858	13,023	12,798	12,771	12,687	12,676	13,153
% Ch	-58.3%	144.7%	-12.1%	35.7%	35.8%	5.7%	5.2%	-6.7%	-0.8%	-2.6%	-0.3%	15.9%
U.S. (Millions)	1.053	0.975	0.885	0.818	0.822	0.960	1.071	1.182	1.274	1.387	1.490	1.587
% Ch	-30.0%	-26.6%	-32.1%	-26.9%	2.0%	85.7%	55.3%	47.9%	35.0%	40.5%	33.2%	28.9%
TOTAL NONFARM EMPLOYMENT												
Idaho	655,226	654,595	655,169	655,605	656,824	658,775	660,832	663,032	666,486	670,182	674,149	678,589
% Ch	-2.2%	-0.4%	0.4%	0.3%	0.7%	1.2%	1.3%	1.3%	2.1%	2.2%	2.4%	2.7%
U.S. (Thousands)	137,917	137,759	137,705	137,523	137,366	137,469	137,702	138,112	138,631	139,241	139,839	140,441
% Ch	-0.3%	-0.5%	-0.2%	-0.5%	-0.5%	0.3%	0.7%	1.2%	1.5%	1.8%	1.7%	1.7%
SELECTED INTEREST RATES												
Federal Funds	3.2%	2.1%	2.0%	2.0%	2.0%	2.0%	2.5%	3.2%	3.7%	4.2%	4.7%	4.8%
Bank Prime	6.2%	5.1%	5.0%	5.0%	5.0%	5.0%	5.5%	6.2%	6.7%	7.2%	7.7%	7.8%
Existing Home Mortgage	6.0%	6.2%	6.2%	5.9%	5.8%	5.7%	5.9%	6.3%	6.6%	6.9%	7.1%	7.2%
INFLATION												
GDP Price Deflator	2.7%	0.7%	2.7%	3.0%	2.4%	0.6%	2.5%	2.6%	2.7%	2.5%	2.2%	1.9%
Personal Cons Deflator	3.6%	4.0%	7.3%	5.6%	2.7%	0.1%	1.7%	1.1%	1.1%	0.8%	1.1%	1.4%
Consumer Price Index	4.3%	4.8%	10.2%	7.4%	2.5%	-1.6%	1.2%	0.4%	0.5%	0.3%	0.8%	1.3%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the SECOND Quarter of 2008